

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: All Political Subdivisions

FROM: Brian E. Bailey, Commissioner *BEB*

RE: Adjustment of Maximum Tax Rates after Reassessment or Annual Adjustment

DATE: May 20, 2011

House Enrolled Act ("HEA") 1004-2011 reinstates the formula that the Department of Local Government Finance ("Department") previously used in the adjustment of maximum tax rates after reassessment or annual adjustment pursuant to IC 6-1.1-18-12 and IC 6-1.1-18.5-9.8. This law is effective July 1, 2011, and will apply to taxes in 2011 pay 2012.

HEA 1004-2011 amends IC 6-1.1-18-12(e) and IC 6-1.1-18.5-9.8(c) to require the Department to use actual percentage change in STEPS TWO and FOUR of the formula. Additionally, IC 6-1.1-18-12(g) and IC 6-1.1-18.5-9.8(e) are added to expressly state that the Department must use the actual percentage decrease if the assessed value decreases in STEPS TWO and FOUR, or if the assessed value did not increase or decrease, the Department must use a zero.

The Department had previously used a negative value in this formula when there was a drop in assessed value, but this was changed for the 2011 budget year to comply with an Indiana Tax Court ruling: *DeKalb County E. Cmty. Sch. Dist. v. Dep't of Local Gov't Fin.*, 930 N.E.2d 1257 (Ind. Tax Ct. 2010). This statutory change reinstates the Department's previous position.

A unit's STEP SEVEN value for 2011 will be used as the STEP ONE value for the calculation for 2012, as has been past practice.

This formula applies to all the funds listed in IC 6-1.1-18-12 and IC 6-1.1-18.5-9.8, including the school capital projects fund, the county cumulative capital development fund, cumulative fire fund, and library capital projects fund.

Questions may be directed to General Counsel Micah Vincent at 317-233-6770 or mvincent@dlgf.in.gov.